

ORIGINAL NEW APPLICATION



0000112032

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

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Arizona Corporation Commission

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**JOINT NOTICE AND APPLICATION
OF QWEST CORPORATION, QWEST
COMMUNICATIONS COMPANY,
LLC, QWEST LD CORP., EMBARQ
COMMUNICATIONS, INC. D/B/A
CENTURY LINK
COMMUNICATIONS,
EMBARQ PAYPHONE SERVICES,
INC. D/B/A CENTURYLINK, AND
CENTURYTEL SOLUTIONS, LLC
FOR APPROVAL OF THE PROPOSED
MERGER OF THEIR PARENT
CORPORATIONS QWEST
COMMUNICATIONS
INTERNATIONAL INC. AND
CENTURYTEL, INC.**

DOCKET NO.

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T-02811B-10-0194

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T-03555A-10-0194

T-03902A-10-0194

**JOINT NOTICE AND APPLICATION FOR EXPEDITED APPROVAL
OF PROPOSED MERGER**

The Arizona telephone operating subsidiaries of Qwest Communications International, Inc. ("QCII") Qwest Corporation ("QC"), Qwest Communications Company LLC ("QCC"), and Qwest LD Corp., ("QLDC"), (collectively "Qwest") and the Arizona telephone operating subsidiaries of CenturyTel, Inc. ("CenturyLink"¹), Embarq Communications, Inc. d/b/a CenturyLink Communications, Embarq Payphone Services, Inc. d/b/a CenturyLink, and CenturyTel Solutions, LLC, (collectively "CenturyLink") jointly submit this Joint Notice of

¹ CenturyTel, Inc. will change its name to CenturyLink, Inc. with shareholder approval on May 20, 2010.

1 Proposed Merger and Application.² With this Joint Notice and Application, Qwest and
2 CenturyLink request expedited approval by the Arizona Corporation Commission
3 ("Commission") of the proposed merger, which will indirectly transfer control of QCII's
4 operating subsidiaries to CenturyLink. This transaction meets the requirements of A.A.C. R14-
5 2-801 *et seq.* ("Affiliated Interests Rules") and, A.R.S. § 40-285 if applicable, and all other
6 applicable law. It will result in a combined company with greater network and financial
7 resources to provide voice, broadband data, and other advanced communications services to
8 Arizona customers. The combined company will have the national breadth and local depth to
9 provide a compelling array of products and services to its customers. The Applicants therefore
10 request that the Commission approve this Application expeditiously to allow timely
11 consummation of the Transaction. In support, the Applicants state as follows:

12 13 I. INTRODUCTION 14

15 1. The Transaction combines two leading communications companies with
16 customer-focused, industry-leading capabilities, together with complementary networks and
17 operating footprints. The Transaction is a stock-for-stock transaction that requires no new
18 financing or refinancing and adds no new debt. It will provide the combined company with
19 greater financial resources and access to capital enabling it to invest in networks, systems and
20 employees that can reach more customers with a broad range of innovative products and voice,
21 data and entertainment services over an advanced network. The combination creates a robust,
22 national, approximately 180,000 mile fiber network that will allow CenturyLink to meet
23 increasing data traffic demands for robust content and to deliver strategic and customized
24 product solutions to business, wholesale, and government customers throughout the nation by

25 ² CenturyTel, Inc. and Qwest Communications International, Inc. are not public service
26 corporations as defined in Article 15, Section 2 of the Arizona Constitution. The telephone
operating subsidiaries named in the caption are public service corporations.

1 combining Qwest's significant national fiber-optic network and data centers and CenturyLink's
2 core fiber network. The Transaction provides the financial, managerial and operational strength
3 to better position the combined company to offer more customers the full array of broadband
4 products and video entertainment that will enable the combined company to compete against
5 cable companies and technology substitution within its local regions. The Transaction is in the
6 public interest and the parties seek expedited review.

7 8 **II. THE TRANSACTION**

9
10 2. On April 21, 2010, QCII, CenturyLink and SB44 Acquisition Company
11 ("Acquisition Company") entered into an Agreement and Plan of Merger ("Merger Agreement")
12 which describes the transaction subject to this Application ("Transaction").³ CenturyLink is a
13 publicly traded holding company with incumbent local exchange operations in 33 states.
14 CenturyLink and Qwest both have ILEC operations in 10 states. However, CenturyLink does
15 not have ILEC operations in Arizona. Qwest Communications International, Inc. is a publicly
16 traded holding company with incumbent local exchange operations in 14 states and nationwide
17 competitive local exchange and interexchange operations. Acquisition Company is a direct
18 wholly-owned subsidiary of CenturyLink created to effectuate this Transaction. Under the terms
19 of the Merger Agreement, QCII and Acquisition Company will merge, after which QCII will be
20 the surviving entity and the separate corporate existence of Acquisition Company will cease.⁴
21 Also following completion of the Transaction, four directors from the QCII Board will be added
22 to the CenturyLink Board of Directors, including Edward A. Mueller, QCII's Chairman and
23

24
25 ³ A copy of the Merger Agreement is available at
<http://www.centurylinkqwestmerger.com/downloads/sec-filings/Qwest-8K%204-22-10.pdf>, and
26 is incorporated by reference

⁴ QCII will adopt the By-Laws and Certificate of Incorporation of Acquisition Company.

1 Chief Executive Officer (CEO). This addition will increase the number of CenturyLink directors
2 from 13 pre-Transaction to 17 post-Transaction.

3 3. Under the terms of the Merger Agreement, QCII will become a wholly-owned,
4 first tier subsidiary of CenturyLink. Exhibit A attached to this Application depicts the pre- and
5 post-Transaction corporate structure. As shown, there will be no change in corporate structure of
6 the respective CenturyLink and Qwest operating entities as a result of the Transaction. QCII's
7 operating subsidiaries, QC, QCC, and QLDC will remain subsidiaries of QCII. Further, because
8 this Transaction is a combination of the parent companies only, it is not a transaction in which
9 local exchanges, companies, or assets are being sold, combined or transferred to a new provider.

10 4. The Transaction is a tax free, stock-for-stock business deal with no new debt or
11 refinancing required. Shareholders of QCII will receive 0.1664 shares of CenturyLink common
12 stock for each share of QCII common stock owned at closing. Upon closing, the shareholders of
13 pre-merger CenturyLink will own approximately 50.5% of post-merger CenturyLink and the
14 shareholders of pre-merger QCII will own approximately 49.5% of post-merger CenturyLink.
15 CenturyLink will issue new stock to acquire QCII; it is not paying cash or financing the
16 Transaction through debt.

17 5. The Transaction is a straightforward combination and strengthening of companies
18 that will maintain and enhance current operations. In fact, it has none of the financial or tax
19 structure complexities or characteristics of other recent transactions that have been the subject of
20 criticism by some state commissions. To the contrary, this Transaction does not involve the sale
21 and transfer of regulated companies, exchanges or assets from one entity to another or the
22 assumption of new debt or refinancing.

23 6. The Transaction contemplates a parent-level transfer of control of QCII only. QC,
24 QCC, QLDC, Embarq Communications, Inc. d/b/a CenturyLink Communications, Embarq
25 Payphone Services, Inc. d/b/a CenturyLink, and CenturyTel Solutions, LLC will continue as
26 separate certificated carriers and each will continue to have the requisite managerial, technical

1 and financial capability to provide services to its customers. Immediately upon completion of
2 the Transaction, end users and wholesale customers will continue to receive service from the
3 same carrier, at the same rates, terms and conditions and under the same tariffs, price plans,
4 interconnection agreements, and other regulatory obligations as immediately prior to the
5 Transaction; as such, the Transaction will be seamless to the customers. Any subsequent service
6 or price changes will be made, just as they are now, in accordance with all applicable rules and
7 laws.⁵ Moreover, the Transaction does not alter or change the jurisdiction of the Commission
8 over the certificated service providers.

10 III. PARTIES

11 A. DESCRIPTION OF CENTURYLINK

12
13 7. CenturyLink is a publicly traded Louisiana corporation with headquarters at 100
14 CenturyLink Drive, Monroe, Louisiana. CenturyLink is included in the Fortune 500's list of
15 America's largest corporations. CenturyLink is a leading provider of high-quality voice and
16 broadband services over its advanced communications networks to consumers and businesses in
17 33 states.⁶ CenturyLink serves approximately 7 million access lines nationwide, 2.2 million
18 broadband subscribers, and over 553,000 video subscribers.⁷ CenturyLink has a successful
19 history of providing services to rural America and has evolved into a company that serves every

20 ⁵ In view of the current rapidly changing communications market, any provider, including post-
21 Transaction CenturyLink, must constantly review its pricing strategy and product mix to respond
22 to marketplace demands. While rates, terms and conditions will be the same immediately after
23 the Transaction as immediately before the Transaction, prices and product mixes necessarily will
change over time as marketplace, technology, and business demands dictate. The affected
entities will make such changes only following full compliance with all applicable rules and
laws.

24 ⁶ CenturyLink is an incumbent local exchange provider in Louisiana, Washington, Oregon,
Idaho, Montana, Wyoming, Nebraska, Minnesota, Iowa, New Mexico, Colorado, Nevada, Ohio,
25 Indiana, Michigan, Illinois, Wisconsin, Pennsylvania, New Jersey, Tennessee, Virginia, North
Carolina, South Carolina, Florida, Georgia, Alabama, Mississippi, Texas, Arkansas, Oklahoma,
Missouri, Kansas, and California.

26 ⁷ As of December 31, 2009.

1 segment of the consumer and business markets through a complete array of voice and data
2 services.

3 8. CenturyLink has a local, community-based approach to serving its customers.
4 This community-based approach focuses on allocating decision-making and accountability close
5 to its customer base, under the philosophy that services, bundles or pricing should suit the
6 customer needs of the particular local area or market. This local market focus allows flexibility
7 and responsiveness in the development of products and bundles to be offered in different
8 geographic areas and has been a proven success. CenturyLink intends to continue and extend its
9 local market focus under the newly combined company.

10 9. CenturyLink has an established track record of successfully integrating
11 companies, including its most recent acquisition of Embarq Corporation. Previous to the
12 Embarq acquisition, CenturyLink had executed on five other transactions wherein it acquired
13 more than two million access lines. In addition, CenturyLink had acquired significant fiber
14 assets in 2003 and 2005 which are now part of a nationwide, core fiber network that is a key
15 enabler for IPTV and other data traffic. CenturyLink employs a best-in-class view towards
16 company integration, combining the finest talent and most efficient and successful practices of
17 the two merging companies. In consideration of the talent pool of employees, services,
18 innovation, and commitment to service quality that currently resides in both CenturyLink and
19 Qwest, the combined and integrated company will have an augmented supply of human and
20 technological resources to service rural and urban customers.

21 10. Arizona has not been a market in which CenturyLink has established a significant
22 presence. Embarq Communications, Inc., d/b/a CenturyLink Communications, is authorized by
23 this Commission to provide resold long distance services and has less than 200 PIC'd lines in
24 this state. Embarq Payphone Services, Inc. d/b/a CenturyLink, is authorized to provide
25 payphone services; however, it has less than 25 payphones in service in Arizona. CenturyTel
26

1 Solutions, LLC is authorized to provide resold long distance services and competitive local
2 exchange services; however, it does not currently serve customers in Arizona.

3 **B. DESCRIPTION OF QWEST**

4 11. QCII is a publicly traded Delaware corporation, with headquarters at 1801
5 California Street, Denver, Colorado., QCII's operating subsidiaries offer a complete suite of
6 communications services to consumers and businesses, including local, long distance, high speed
7 data, and, through sales relationships with Verizon Wireless and DIRECTV, wireless and video
8 services. QCII is in the Fortune 500's list of America's largest corporations.⁸ With its industry-
9 leading national fiber-optic network and world-class customer service, Qwest is the choice of
10 95% of Fortune 500 companies, offering a full suite of network, data and voice services for small
11 businesses, large businesses, government agencies and wholesale customers.

12 12. As a subsidiary of QCII, QC provides incumbent local exchange services in 14
13 states, serving approximately 10.3 million total access lines.⁹ QC provides local exchange
14 services and interexchange services in Arizona, serving approximately 1,457,280 retail access
15 lines. QC provides regulated retail and wholesale services under the jurisdiction of this
16 Commission, as well as interconnection services to CLECs through numerous interconnection
17 agreements approved by this Commission.

18 13. QCC is authorized by this Commission to provide long distance and competitive
19 local exchange services. In addition to Arizona, QCC provides facilities-based and resold
20 interexchange and competitive local exchange operations nationwide.¹⁰

21
22
23 ⁸ QCII's most recent 10K filing to the Securities and Exchange Commission is a public
24 document and is available at: <http://investor.qwest.com/qcii-sec-filings>, which is incorporated
25 by reference.

26 ⁹ Access lines as of December 31, 2009. In addition to Arizona, Qwest is an incumbent local
exchange provider in Colorado, Washington, Oregon, Idaho, Montana, Wyoming, Nebraska,
North Dakota, South Dakota, Minnesota, Iowa, Utah, and New Mexico.

¹⁰ QCC is authorized to provide interexchange services in all states and is authorized as a
competitive local exchange carrier in the District of Columbia and all states except Alaska.

1 14. The Commission has also authorized QLDC to provide resold interexchange
2 services. QLDC is the entity formed by Qwest as part of the approval processes under Section
3 271 and 272 of the Telecom Act to provide interLATA services originating in Arizona.¹¹

4 15. Communications and correspondence for the proceeding herein should be sent to
5 the following individuals:

6
7 To CenturyLink:

8 Linda C. Stinar
9 Director Regulatory Affairs -- CenturyLink
10 6700 Via Austi Parkway,
11 Las Vegas, NV 89119¹²
12 Voice (702) 244-7318
13 linda.c.stinar@centurylink.com

14 With a copy to:

15 Jeffrey W. Crockett
16 SNELL & WILMER, L.L.P
17 One Arizona Center
18 400 East Van Buren
19 Phoenix, Arizona 85004-2202
20 jcrockett@swlaw.com

21 Kevin K. Zarling
22 Senior Counsel, CenturyLink
23 400 W. 15th Street, Suite 315
24 Austin, Texas 78701
25 Kevin.K.Zarling@CenturyLink.com

26 To Qwest:

 David L. Ziegler
 Assistant Vice President-Public Policy, Qwest
 20 E. Thomas Rd, 16th Floor
 Phoenix, Arizona 85012
 David.L.Ziegler@qwest.com

¹¹ The Commission has previously approved the merger of QLDC into QC. Decision No. 70706. This Application does not amend the request for approval of merger of QLDC and QC or the order approving it. The merger is still pending.

¹² Prior to May 28, 2010, correspondence for the CenturyLink representative should be sent to: 330 South Valley View Boulevard, Las Vegas, Nevada 89107

1 With a copy to:

2 Norman G. Curtright
3 Associate General Counsel, Qwest
4 20 E. Thomas Rd., 16th Floor
5 Phoenix, Arizona 85012
6 Norm.Curtright@qwest.com

7
8 **IV. APPROVALS REQUIRED AND STANDARD OF REVIEW**

9 16. A.A.C. R14-2-803(B) provides that the Commission shall determine whether to
10 hold a hearing on a notice of intent to reorganize within 60 days from the receipt of the Notice,
11 and determine whether to hold a hearing on the matter or approve the organization or
12 reorganization without a hearing. The standard of review is provided in A.A.C. R14-2-803(C):
13 "At the conclusion of any hearing, the Commission may reject the proposal if it determines that
14 it would impair the financial status of the public utility, otherwise prevent it from attracting
15 capital at fair and reasonable terms, or impair the ability of the public utility to provide safe,
16 reasonable and adequate service."

17 17. A.R.S. § 40-285 provides in pertinent part that, "A public service corporation
18 shall not sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part
19 of its . . . system . . . nor shall such corporation merge such system or any part thereof with any
20 other public service corporation without first having secured from the commission an order
21 authorizing it so to do." In addition, A.R.S. § 40-285(D) provides that "[a] public service
22 corporation shall not purchase, acquire, take or hold any part of the capital stock of any other
23 public service corporation organized or existing under the laws of this state without a permit
24 from the commission." In reviewing transactions under the statute the Commission applies a
25 "public interest" standard of review. Because QCII and CenturyTel, Inc. are not public service
26 corporations, the Applicants believe A.R.S. § 40-285 does not apply to the Transaction.
However, should the Commission determine that the statute applies, the Applicants respectfully

1 request that approval be granted under the statute. The Applicants seek approval of the
2 Transaction under all applicable Commission rules and Arizona laws.

3 18. As addressed below, the Transaction and the resulting transfer of control of the
4 parent of QC, QCC, and QLDC satisfy all applicable criteria.

5 6 **V. THE TRANSACTION IS IN THE PUBLIC INTEREST**

7
8 19. The Transaction is in the public interest and will provide benefits to consumers of
9 the combined company without any countervailing harms. The communications industry has
10 changed dramatically in the last several years, and the industry continues to experience change at
11 a frenetic pace. Competition, and particularly intermodal competition, is widespread with
12 wireless and wireline carriers competing vigorously for customers. Local wireline carriers face
13 increasing competition from other providers of voice services and from cable operators providing
14 voice, video and data offerings. As a result of this robustly competitive market environment and
15 the rapidly changing fundamentals of the wireline business, carriers such as Qwest and
16 CenturyLink must adapt to compete more effectively. Wireline businesses now require greater
17 strategic flexibility to bring new products and expanded services to the marketplace more
18 quickly and to enhance customer service. These evolving market dynamics place unique
19 pressures on companies such as Qwest and CenturyLink. The financial strength and flexibility,
20 the more diverse mix of product offerings, the increased scale and stronger product portfolio and
21 the approximately 180,000-mile fiber network combine to position the post-Transaction
22 CenturyLink to better respond to customer demand and effectively compete and provide viable
23 service and product options for its customer base whether business, wholesale, government, or
24 residential.

25 20. Qwest and CenturyLink have complementary local and long distance markets and
26 a strong tradition of customer-centric approach. CenturyLink's regional operating model and

1 targeted marketing focus coupled with Qwest's industry-leading network and strong business,
2 government and wholesale focus will position the combined company to improve and expand
3 deployment of innovative IP products and services to business customers, to expand broadband
4 availability and increased broadband speeds to consumers, to deploy additional fiber-to-the-cell
5 capabilities, and to offer new video choices to better serve customers.

6 21. The communications industry has been and is expected in the future to be the
7 subject of rapid and fundamental changes in technology, customer preferences, and the
8 competitive landscape. Rapid changes in technology and customer preferences require equally
9 rapid responses and execution strategies by telecommunications carriers. To respond rapidly and
10 succeed most effectively in this competitive market environment, carriers must have a strategic
11 focus on providing products and services that differentiate them in the market, and they need
12 sufficient scale to execute upon their strategic focus. Even a carrier that knows its customers'
13 preferences cannot compete effectively in today's marketplace without sufficient size and scope
14 to match those preferences with suitable products or services offered at affordable rates. The
15 Transaction will result in a combined enterprise that can achieve greater economies of scale and
16 scope than the two companies operating independently. This, in turn, will enhance the ability of
17 the post-Transaction enterprise to focus more strategically and rapidly respond to customer
18 preferences in providing a full portfolio of quality, advanced communications services that will
19 differentiate the company in the markets it serves.

20 22. The Arizona operations will be strengthened as a result of the Transaction. QC
21 will continue in its current corporate existence and will retain its levels and standards of
22 technical and managerial expertise over both rural and urban exchanges in the state; yet, its
23 provisioning of products and services will be augmented by the combined company's stronger
24 financial position and balance sheet. Additionally, with CenturyLink's distinctive expertise in
25 serving smaller, rural areas and Qwest's industry-leading national fiber-optic network, data
26 centers, and enterprise business experience, the post-Transaction enterprise will be positioned to

1 capitalize on its collective knowledge of its local customers' preferences and to deliver
2 innovative technology and product offerings to both its urban and rural markets. Customers will
3 benefit from increased access to those offerings, and the post-merger CenturyLink will benefit
4 from retaining and attracting customers whose needs are satisfied by its offerings, service quality
5 and customer care. The public interest will be served by the Transaction as it will allow the new
6 company to bring to bear the combined resources of Qwest and CenturyLink on the shared,
7 singular focus of delivering a full portfolio of services that meet the targeted needs of the
8 consumer, business, and wholesale customers served.

9 23. Consumers of communications services, including both residential consumers and
10 businesses, have more choices than ever before in the market for local and long distance calling,
11 high speed Internet and other data, video, and wireless services. Intermodal competition to
12 provide these services is now widespread. The two companies combined will be a national
13 telecommunications company serving approximately 17 million access lines, over 5 million
14 broadband customers, over 1.4 million video subscribers, and 850,000 wireless customers.¹³ As
15 such, the Transaction will enable the combined company to become a stronger, more viable
16 provider capable of meeting ever-evolving consumer needs. At the same time, the public interest
17 in preserving competition is not harmed as there is no reduction in actual or potential
18 competition, given the minimal degree of CenturyLink services in Arizona. Even if competition
19 presently existed between Qwest and CenturyLink for such markets as government or enterprise
20 customers, there is an abundance of other providers from which customers may choose, and thus
21 the Transaction will not lessen competition.

22 24. Ensuring the continuation of high quality service and customer experience pre-
23 and post-merger is vitally important. Qwest and CenturyLink understand that continuing to meet
24 customer needs is its top priority. The Transaction will not change that focus. To the contrary,
25 the customer service, network and operations functions that are critical to each company's

26 ¹³ Pro Forma combined customer statistics as of December 31, 2009.

1 success today will continue to be key focuses when the Transaction is complete. The post-
2 Transaction company will be staffed to ensure that continuity.

3 25. As indirect subsidiaries of CenturyLink post-Transaction QC, QCC, and QLDC
4 will maintain and enhance their capability to provide high quality telecommunications services
5 and to introduce advanced services. Similarly, CenturyLink's operating subsidiaries will
6 continue to provide high quality telecommunications services post-Transaction. The increased
7 scale, more diverse mix of offerings, and stronger product pipeline of the combined company
8 will provide a compelling array of products and services to better serve its post-Transaction
9 customers.

10 26. Furthermore, because this is a parent-level transaction only, with no change in the
11 regulated entities, the Transaction will not result in the Commission losing any of its current
12 authority over the regulated companies. To the contrary, immediately upon completion of the
13 Transaction the Commission retains exactly the same regulatory authority over QC, QCC, QLDC
14 and the existing CenturyLink subsidiaries that the Commission possesses immediately prior to
15 the Transaction. Nor does the Transaction result in any change to their regulatory status and
16 current obligations. Instead, QC, QCC, QLDC and the existing CenturyLink subsidiaries will
17 remain subject to the same price regulation structure, service quality and performance
18 obligations, tariffing requirements, and other applicable orders, rules and regulations as they do
19 now. Moreover, because the Transaction results in no direct change to the operating entities, it is
20 seamless to customers.¹⁴ There is no change in services or rates as a result of the Transaction,
21 and QC, QCC, QLDC and the existing CenturyLink subsidiaries will continue to provide service
22 subject to the same rules, regulations and applicable tariffs or price lists as they now do.¹⁵
23 Likewise, the terms and prices for existing wholesale services under QC's access tariffs will be

24
25 ¹⁴ The names of the entities may be changed or a d/b/a adopted.

26 ¹⁵ Future rate changes will continue to be governed by the same rules and procedures as today.
In every case, end-user, wholesale obligations, and regulatory requirements are subject to future
modification by Commission decisions and applicable law.

1 unchanged and there is no impact on the terms of existing interconnection agreements or on
2 obligations under the laws governing interconnection.

3 27. The Transaction will not alter existing relationships between QC and its
4 bargaining unit employees. Post-merger CenturyLink will continue to honor existing collective
5 bargaining agreements for the duration of those agreements. Any changes to bargaining
6 employee benefits covered by a collective bargaining agreement would be subject to the terms of
7 those agreements.

8
9 **VI. THE COMBINED COMPANY WILL MAINTAIN FINANCIAL,
10 MANAGERIAL AND OPERATIONAL STRENGTH**

11 **A. FINANCIAL STRENGTH OF THE COMBINED COMPANY**

12 28. One of the Transaction's key benefits is the resulting financial condition of the
13 combined company. A financially stronger company can continue to provide high quality
14 services in rural areas, compete against cable telephony providers, wireless carriers, VoIP
15 offerings, and CLECs, develop more advanced broadband and IP-based services, and provide a
16 more viable third alternative to the large business and enterprise services offered by AT&T and
17 Verizon.

18 29. The Transaction is a simple, tax-free, stock-for-stock transaction and offers the
19 financial strength and flexibility for the operating subsidiaries of the post-Transaction
20 CenturyLink to continue providing outstanding service and enhanced offerings to customers,
21 while delivering returns to shareholders. For the twelve months ended December 31, 2009, the
22 combined company would have had pro forma revenue of nearly \$20 billion, pro forma EBITDA
23 of approximately \$8.2 billion, and pro forma free cash flow of approximately \$3.4 billion,
24 excluding synergies. The combined company's pro forma net leverage would have been 2.2
25 times EBITDA for the 12 months ended December 31, 2009, including synergies on a full run-
26

1 rate basis and excluding integration costs. The Transaction requires no new financing or
2 refinancing and adds no new debt.

3 30. These attributes help insure that CenturyLink will continue to have a sound
4 capital structure and significant free cash flow generation that will provide the fiscal stability to
5 pursue necessary strategies and to deliver industry leading products and services to customers.
6 As subsidiaries of the combined company, this financial strength will continue to allow QC,
7 QCC, QLDC, and the CenturyLink subsidiaries that offer service in Arizona to have the financial
8 stability and access to capital necessary to continue to invest in networks, systems and
9 employees and to provide reliable services in the ever-increasingly competitive
10 telecommunications marketplace.

11 **A. MANAGERIAL AND TECHNICAL CAPABILITIES OF THE COMBINED**
12 **COMPANY**

13 31. The combined company's senior leadership team will consist of proven leaders
14 with extensive experience in the telecommunications industry and a successful track record of
15 integration. To that end, Glen F. Post, III, the current CEO and President of CenturyLink, will
16 continue to be the CEO and President of the post-merger CenturyLink. R. Stewart Ewing, Jr. the
17 current Chief Financial Officer (CFO) of CenturyLink, will continue to be the CFO of the post-
18 merger CenturyLink. Karen A. Puckett, the current Chief Operating Officer (COO) of
19 CenturyLink, will continue to be COO of post-merger CenturyLink. Finally, Christopher K.
20 Ancell, currently the Executive Vice President of Business Markets Group for QCII, will be the
21 President of the Business Markets Group for post-merger CenturyLink. These executives among
22 them have nearly 100 years of experience in the telecommunications industry and many years of
23 leadership at their respective companies.

24 32. CenturyLink has demonstrated the very best in managerial and technical
25 capability to serve rural and urban America. As mentioned, Qwest and CenturyLink understand
26 that continuing to meet customer needs is its top priority and that focus will not change. To the

1 contrary, the customer service, network and operations functions that are critical to each
2 company's success today will continue to be key focuses and the operations of QC will continue
3 to be managed by employees with extensive knowledge of the local telecommunications business
4 and with a commitment to the needs of the local community. Similar to the CenturyTel/Embarq
5 transaction, the planned integration for this Transaction will combine the best managerial and
6 technical talent from both companies to serve all of the combined company's market segments.
7 Adopting the best operational practices from the merging companies will further enhance the
8 already strong customer centric commitment of the combined company.

9 33. Moreover, CenturyLink has a demonstrated ability to acquire and successfully
10 integrate companies, and to combine systems and practices, while continuing to provide high
11 quality service to customers. For example, integration activities related to the Embarq
12 transaction show the successful results of careful planning and seamless execution. Financial
13 and other systems have been converted and integrated. A phased billing system conversion has
14 enabled legacy-Embarq customers to convert to CenturyLink's state of the art customer service
15 and billing system with no degradation of the customer experience. The CenturyLink brand was
16 launched with minimal customer confusion and popular products were expanded throughout the
17 combined footprint.

18 34. In sum, the Transaction will enhance the managerial and technical capabilities of
19 the companies to enable them to continue to provide high quality services to rural and urban
20 areas of Arizona.

21 22 **VII. A.A.C. R 14-2-803(A) DISCLOSURE** 23

24 35. The Applicants provide the following information specifically in fulfillment of the
25 requirements of A.A.C. R 14-2-803(A):
26

- 1 i. **Officers and Directors.** The names of the current officers¹⁶ and directors of
2 CenturyTel, Inc. are stated at the CenturyLink website www.centurylink.com,
3 specifically at
4 <http://www.centurylink.com/Pages/AboutUs/CompanyInformation/Leadership/>
5 and
6 <http://www.centurylink.com/Pages/AboutUs/Governance/boardOfDirectors.jsp>
7 (each of which is incorporated by reference). A description of the board of
8 directors of the parent corporation post-Transaction is provided in paragraph 2,
9 above, and a listing of the senior officers of the parent corporation post
10 Transaction is provided in paragraph 32, above.
- 11 ii. **Business Purposes for Reorganization.** The business purposes of this
12 transaction are described in this Joint Notice and Application. A further
13 discussion of the reasons can be found at
14 [http://www.centurylinkqwestmerger.com/downloads/presentations/Investor%20Pr](http://www.centurylinkqwestmerger.com/downloads/presentations/Investor%20Presentation-4-22-10.pdf)
15 [esentation-4-22-10.pdf](http://www.centurylinkqwestmerger.com/downloads/presentations/Investor%20Presentation-4-22-10.pdf), which is incorporated by reference.
- 16 iii. **Proposed Method of Financing.** As described in paragraphs 2 through 4, above,
17 the Transaction is a stock-for-stock exchange transaction that requires no new
18 financing or refinancing and adds no new debt. Impacts to the CenturyLink, Inc.
19 capital structure as a result of the merger will be addressed in testimony to be
20 filed.
- 21 iv. **Capital Structure of Operating Subsidiaries.** The current capital structure of
22 the operating subsidiaries, which will not be adversely affected by the
23 Transaction, will be addressed in testimony to be filed.

24
25
26 ¹⁶ The officers' address is: CenturyLink, 100 CenturyLink Drive, Monroe, LA 71203

- 1 v. **Corporation Organization Chart.** Pre-merger organization charts of the
2 structure of the Qwest and CenturyLink corporate entities and the post-
3 Transaction structure of the surviving corporate entities are attached as Exhibit A.
- 4 vi. **Allocation of Income Taxes.** Any changes to the income tax allocation
5 methodology are unknown at this time. The Applicants recognize that the tax
6 allocation methodology may be subject to review in future Commission
7 proceedings.
- 8 vii. **Changes in Cost of Service/Cost of Capital.** The Transaction is not expected to
9 have an adverse impact on the cost of service or the cost of capital to the
10 operating entities, as will be further explained in testimony to be filed.
- 11 viii. **Diversification Plans of Affiliates.** CenturyLink's business operations will
12 continue as described in its 2009 10-K available at
13 [http://ir.centurylink.com/phoenix.zhtml?c=112635&p=irol-](http://ir.centurylink.com/phoenix.zhtml?c=112635&p=irol-sec&control_selectgroup=Annual%20Filings)
14 [sec&control_selectgroup=Annual%20Filings](http://ir.centurylink.com/phoenix.zhtml?c=112635&p=irol-sec&control_selectgroup=Annual%20Filings), incorporated by reference.
- 15 ix. **Documents and Filings.** The proposed Transaction will be subject to review by
16 the FCC, the Department of Justice, and numerous state public utility
17 commissions. Because of the substantial number of filings to be made in
18 connection with the Transaction, the Applicants have not attached all filings with
19 this Application. Instead the parties will provide copies of relevant documents
20 and filings upon request by the Commission.
- 21 x. **Investments in Affiliates.** The annual and cumulative investment by
22 CenturyLink in each affiliate for the next five years has not been determined. As
23 discussed above in paragraphs 29 through 31, above, the Transaction results in a
24 financially strong entity which will provide customers with diversified and quality
25 services.
- 26

1 xi. **Access to Capital for Construction of New Plant and Improvements to**

2 **Existing Plant.** As will be explained in the testimony to be filed, CenturyLink
3 anticipates that the post-Transaction entities will be able to continue to attract
4 capital on terms as favorable or more favorable than would be available without
5 the Transaction, and that adequate capital will be available for construction of
6 necessary new utility plant and for improvements in existing utility plant.

7 In summary, the Transaction will not result in impairment of the financial status of any of the
8 operating companies, prevent any of them from attracting capital at fair and reasonable terms, or
9 impair their ability to provide safe, reasonable and adequate service and should be approved.

10
11 **VIII. REQUEST FOR EXPEDITED PROCEEDINGS**
12

13 36. The Applicants respectfully seek expedited approval of this Joint Application. By
14 combining two companies with complementary network footprints and unparalleled commitment
15 to serving local customers, including rural customers, the Transaction will create significant
16 economies of scale and scope and give the combined firm greater financial strength and
17 flexibility to compete and to ensure that the combined enterprise is well positioned to weather
18 future economic downturns. Expedited treatment is requested to allow the Applicants to more
19 quickly integrate the companies in order to bring those benefits to consumer, business, wholesale
20 customers and shareholders sooner, which is in the public interest.

21 37. Competitors of CenturyLink and Qwest now have the benefit of planning their
22 competitive responses to the prospective combined company and trying to capitalize on any
23 delay or perceived uncertainty. Expedited treatment of this Application will allow the new
24 company to promptly engage and quickly respond to the ever-changing telecommunications
25 marketplace.
26

38. As CenturyLink continues its integration of employees and business and network organizations as a result of its recent merger with Embarq Corporation, expedited approval of the Transaction with Qwest will allow both integrations to be coordinated and more efficient. And, as with any transaction of this nature, there is also a significant benefit to providing certainty and clarity to employees that can only come with completion of the Transaction.

39. Accordingly, CenturyLink and Qwest respectfully request the Commission to complete its review of this Application and issue its final Order approving the Transaction by December 31, 2010. The Joint Applicants will pre-file testimony in the near future in order to provide the Utilities Division Staff with additional information to perform its analysis of the application.¹⁷

IX. CONCLUSION

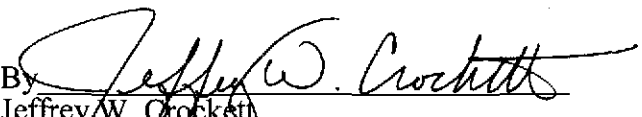
The Transaction is a straightforward, parent-level stock-for-stock transfer of control of QCII. It does not involve complex financial or tax structures nor result in additional debt or new financing or refinancing conditions. QC, QCC, QLDC, and the existing CenturyLink subsidiaries will continue to provide services just as they do today but through a parent with even greater financial strength, a stronger customer-centric and regional operating model, and a robust, national fiber network that will enable it to reach more customers with a broader range of voice, broadband data, and other advanced communications services. None of the conditions set forth in the Affiliated Interests Rules exist that would cause the Commission to not approve the proposed Transaction. Moreover, the proposed Transaction is in the public interest. Applicants therefore respectfully request that, pursuant to the Affiliated Interests Rules and any other

¹⁷ While the Joint Applicants will be pre-filing testimony, the applicable rules do not require a hearing under the circumstances of this transaction. In the event that it is determined that a hearing is not necessary, the pre-filed testimony may be considered additional support for the Application.

1 applicable law, the Commission: i) approve the Transaction as described herein, and ii) provide
2 any other relief or approvals as may be required by Arizona law necessary to effectuate the
3 proposed Transaction.

4 Respectfully submitted this 13th day of May, 2010.

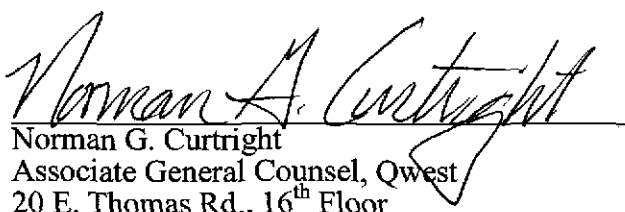
6 SNELL & WILMER, L.L.P.

7
8 By 
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Phoenix, Arizona 85012

23 Attorney for Qwest Corporation,
24 Qwest Communications Company, LLC, and
Qwest LD Corp.
25
26

1 **Original and 13 copies of the foregoing**
2 **were filed this 13th day of May, 2010 with:**

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, AZ 85007

7 **COPY of the foregoing emailed**
8 **this 13th day of May, 2010 to:**

9 Lyn Farmer
10 Chief Administrative Law Judge
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, AZ 85007

14 Janice Alward, Chief Counsel
15 Legal Department
16 Arizona Corporation Commission
17 1200 West Washington Street
18 Phoenix, AZ 85007

19 Steve Olea, Director
20 Utilities Division
21 Arizona Corporation Commission
22 1200 West Washington Street
23 Phoenix, AZ 85007

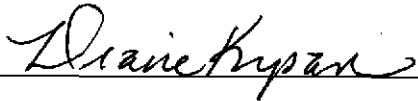
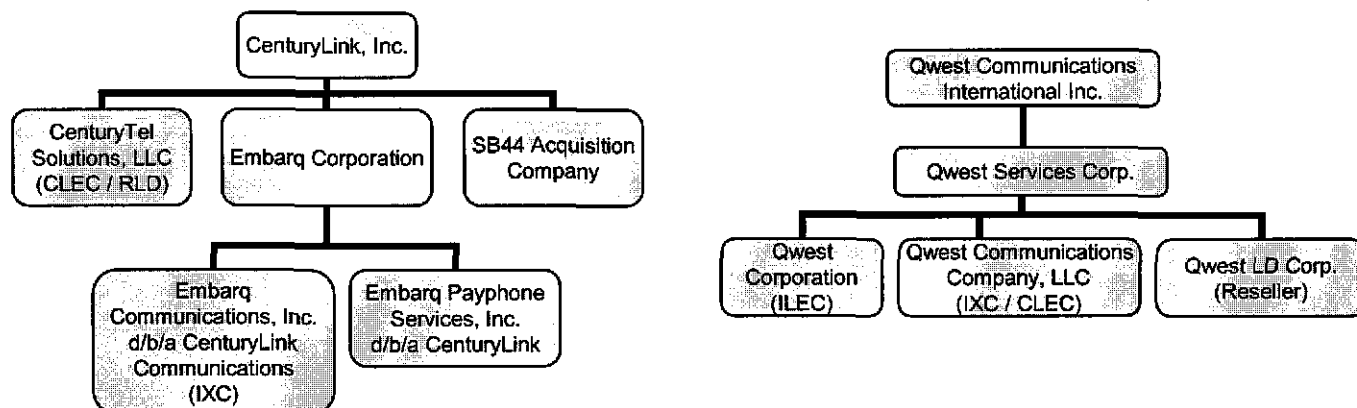
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Exhibit A

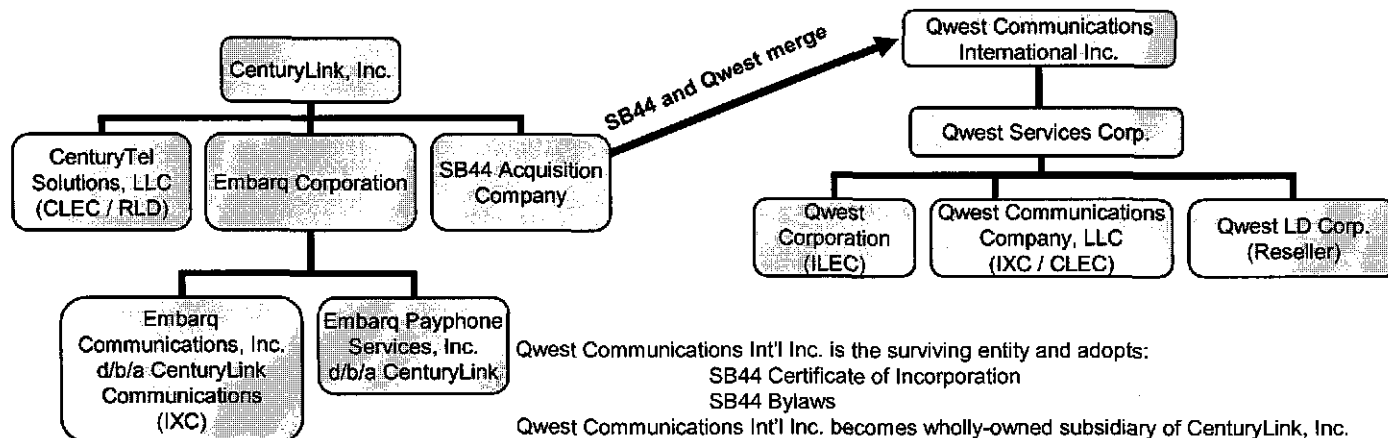
ARIZONA
Organizational Structure Diagrams

Exhibit A
Joint Notice and Application

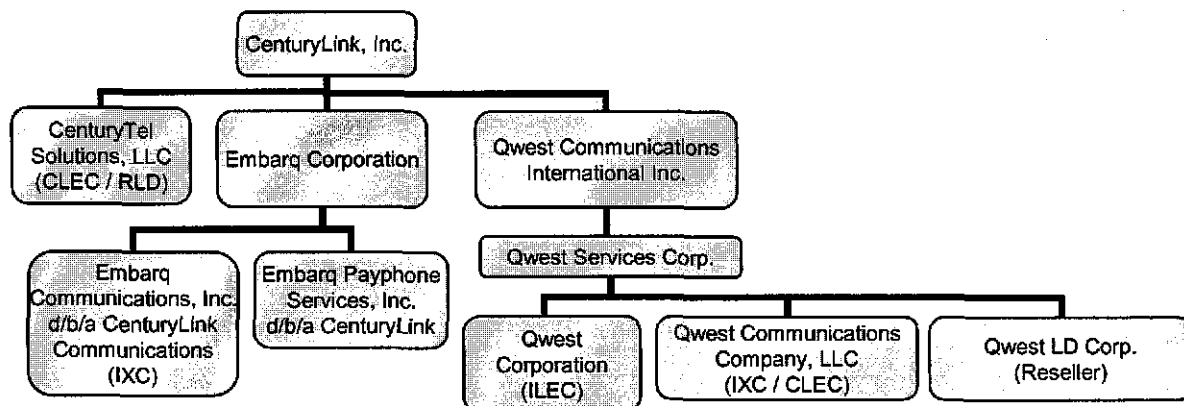
Pre-Merger



Merger



Post-Merger



NOTE: CenturyTel, Inc. will change its name to CenturyLink, Inc. on May 20, 2010, assuming shareholder approval.